



**MUNICIPAL DISCLOSURE | MARCH 28-29, 2023**

**LAKE NATOMA INN | FOLSOM, CALIFORNIA**

# Session 4

## Assessment and Disclosure of Climate Change Risks

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# Defining Climate Change Risk

## Physical Risk

- Event-Driven (Acute)
  - Extreme Weather Events, such as floods and hurricanes
  - Earthquake
- Longer-Term (Chronic)
  - Rising Sea Levels
  - Changing Precipitation, including drought

## Transition Risk

- Potential Negative Impacts from a transition to a lower greenhouse gas-emitting economy
  - Regulatory
  - Technological
  - Market
  - Liability
  - Reputational

# Impact on Pledged Revenues

## Revenues

- Reduced revenue from decreased production capacity
- Reduced revenue from lower sales/output

## Capital Costs

- Increased capital costs due to facility damage
- Write-off of assets due to property damage/“high risk locations”

## Economic Profile

- Higher costs from negative impacts on workforce (e.g., health, safety, absenteeism)
- Supply chain interruptions or transport difficulties

Source: US Environmental Protection Agency, “Climate Risks and Opportunities Defined”

# Transition Risks and Finance

## Renewable Energy

- Increased operating costs (i.e., insurance, compliance)
- Increased costs due to fines or judgements

## Technology

- R&D or capital investments in new technology
- Early retirement or write-off of assets

## Market & Revenues

- Changing customer behavior, i.e., reduced demand
- Abrupt shifts in energy costs

Source: US Environmental Protection Agency, "Climate Risks and Opportunities Defined"